



City of El Paso

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# **Fiscal Operations Accounts Receivable Manual**

August 2010

Prepared by:  
Financial Services Department  
Fiscal Operations Division

*“We provide financial stability by managing the City’s resources with diligence and integrity. This enables City Government to function effectively and make informed decisions on behalf of its citizens and customers. We commit to outstanding customer service and continuous improvement through teamwork, innovation and technology.”*



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**CITY OF EL PASO**  
Financial Services Department  
Fiscal Operations

## **1.0 INTRODUCTION**

This Procedure Manual has been written in accordance with the City of El Paso's administrative policies and fiscal rules currently in effect. Any questions can be directed to the Fiscal Operations Division of the Financial Services Department. Contact information is provided below. Contact information is also available by calling the operator at 541-4000.

Thank you for using this procedure manual. The topics covered in this document are intended to address questions commonly asked of the Accounts Receivable personnel. Please contact us if you have additional questions. Your comments and suggestions are always welcomed. Please contact us with recommendations on improving this document.

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## 2.0 PURPOSE

The Accounts Receivable Manual outlines the administrative policies and procedures with respect to the recording, management, and collection of Accounts Receivable and Revenue Collections throughout the City of El Paso (“*City*”). The Fiscal Operation Division of the Financial Services Department is responsible for this manual.

## 3.0 GOALS

The following goals have been identified for Accounts Receivable:

- 3.1 Maintain a current and active Customer database to ensure invoices and notices are addressed to the appropriate responsible party.
- 3.2 Recover Accounts Receivables promptly in order to improve cash flow to pay for current operating expenditures and invest funds where most appropriate;
- 3.3 Maintain the Aging Report at thirty (30) days level;
- 3.4 Review and update goals, policies and procedures regularly to ensure that policies reinforce collections efforts;

## 4.0 DEFINITIONS

- 4.1 **Accounts Receivable** – Any amount that is due from a customer for services provided to them or on their behalf.
- 4.2 **Aging Report** – A report that identifies all open Accounts Receivable accounts, the number of days outstanding and the dollar amount due.
- 4.3 **Chart of Accounts** – Numeric classification of assets, liabilities, revenues and expenditures.
- 4.4 **Current Account** – An account that is payable within thirty (30) days from the original invoice date.
- 4.5 **Customer** – A debtor to the City and may include, but not be limited to individuals, organizations, or Federal, State and Local Agencies.
- 4.6 **Default Management** – A process followed by staff to assist in the collection of Past Due Accounts.
- 4.7 **Dunning Letter** – A Notice of Collection letter used to help manage outstanding invoices and collect on delinquent accounts.
- 4.8 **Deposits** – Monies received in the form of cash, check, money order, and/or traveler’s checks.
- 4.9 **Final Reminder Notice** – A notice issued to inform customers that payment is past due and if not received within 10 days, their account will be sent to collections.
- 4.10 **Fiscal Period** – Accounting period which begins on September 1 and ends August 31 of the following year.
- 4.11 **Invoice** – A notice issued to the customer specifying the terms, the amount due and the services provided.

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- 4.12 **Money** – Legal tender received and collected, in the form of cash, checks, money orders and/or traveler’s checks.
- 4.13 **Monthly Reconciliation** – The process of reconciling the subsidiary accounts to the controlling account to ensure that all payments were posted appropriately and timely.
- 4.14 **Past Due Account** – An account that has not been paid by the due date.
- 4.15 **Promissory Note** – A written contract signed by a customer who promises to pay a debt owed to City under specific payment terms.
- 4.16 **Qualified Gross Accounts Receivable** – All receivables that are past due more than 60 days, except 1) leases, contracts or other agreements entered into by the City which specifically enumerated different collection fees, or 2) accounts owed to the City which are not subject to a collection fees because of federal, state or local laws.
- 4.17 **Receipt** – A document provided to debtor as evidence that payment for an account has been received; a source document used for posting to the general ledger account and for audit trail purposes. Depending on the debtor's request, a receipt can be either mailed or picked up.
- 4.18 **Recurring Invoices** – The process of recording routine invoices to the general ledger and generating monthly, semiannual or yearly invoices systematically by the PeopleSoft System.
- 4.19 **Write-Off** – A transaction that removes an invoice from the City’s financial accounting records after management has determined that the item is not collectible. All requests to remove an invoice from the accounting records must be submitted in writing and with proper documentation to Financial Services for approval.
- 4.20 **Year-end Closing** – The process of posting all financial transactions to the general ledger for a 12-month fiscal year. This information is used in the preparation of financial reports.

## 5.0 STRUCTURE OF ACCOUNTS RECEIVABLE SYSTEM

- 5.1 The City maintains a decentralized Accounts Receivable system composed of six (6) business units: Financial Services, Airport, Environmental Services, Streets, Sun Metro, and Zoo.
- 5.2 Each business unit records its own receivables, applies its own payments, and collects on its own accounts.
- 5.3 Financial Services processes the billing for various departments who do not have access to PeopleSoft Accounts Receivable Billing module, such as: City Clerk, Development Services, Economic Development, Engineering, General Services, Insurance and Benefits, Legal, and Police.
- 5.4 Financial Services provides each department with a three-character alpha prefix code. This code will appear on all invoices followed by the seven numeric digits. The Billing module allows each department to start their own invoice number sequence or will automatically assign the next number to be used.

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- 5.5 The Financial Services Department monitors the overall PeopleSoft processes to ensure that billing and collection processes are done timely and accurately by running queries and reports.

## **6.0 21 PERCENT ONE-TIME COLLECTION FEE**

In accordance with Ordinance No. 14700 passed and approved on 11/14/2000, the City is allowed to collect a one-time collection fee of 21 percent on delinquent accounts that fall under the definition of Qualified Gross Accounts Receivable. For additional information, refer to [Section 23.0](#).

## **7.0 AGING REPORT**

An Aging Report is prepared on a monthly basis. Accounts are classified as either Current or Past Due. Past Due Accounts are further classified as 31-60 days, 61-90 days, 91-120 days or over 120 days past due. Accounts that are over 61 days past due are considered delinquent. Past Due Accounts are researched to verify that a payment was not missed prior to issuing a Final Reminder Notice. Final Reminder Notices are mailed after an invoice is past due 15-20 days.

## **8.0 BANKRUPTCY CASES**

The City Attorney's Office will notify Financial Services Department when an individual or a business has declared bankruptcy. The Accounts Receivable staff will research the name and, if necessary, communicate back to the City Attorney's Office the amount that is due from the customer along with any additional information requested. The Account Receivable is earmarked as a bankruptcy. For additional information, refer to [Section 21.0](#).

## **9.0 BILLING PROCEDURES**

### **9.1 Origination of an Accounts Receivable**

- 9.1.1 Billing information is submitted by user departments to the Accounts Receivable staff to generate an invoice on behalf of the City.
- 9.1.2 Departments are required to use a standard form with proper documentation when requesting an invoice.
- 9.1.3 Invoices will not be generated without proper supporting documentation.
- 9.1.4 All invoices must be generated and mailed to the customer within thirty (30) days of the date of service.
- 9.1.5 Invoice terms are net 30 days.

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## 9.2 Processing Invoices

- 9.2.1 All incoming “Request to Generate an Invoice” must be stamp dated and initialed by the person receiving the documents.
- 9.2.2 Invoices must be generated within two (2) business days after request has been received.
- 9.2.3 Charges are entered into the Billing Module to a valid customer.
  - a. Only create new customers as necessary.
  - b. For information on creating a new customer, refer to [Section 13](#).
- 9.2.4 After an invoice has been entered in the Billing module, it is reviewed and approved by the appropriate staff.
- 9.2.5 After approval, invoices are processed overnight through the batch process which is automatically run by the PeopleSoft System.
  - a. An invoice goes through several steps before it can be generated in the system.
  - b. These steps include Pre-Finalization, Currency conversion, Pre-load, Creating Accounting Entries, and Budget Check.
  - c. The process also compares the accounting information to the City’s Revenue Estimate.
- 9.2.6 After the invoices are generated, the Accounts Receivable staff is responsible for reviewing and, if necessary, reporting problems on invoice status.
  - a. An invoice with a “Hold” status means that an error has occurred that requires the attention of a Supervisor.
  - b. An invoice with a status of “Distribution” confirms that a journal entry has been created successfully.
- 9.2.7 The total number of invoices on hand should agree with the Journal Generator amount at the end of the day to ensure no invoices were left un-posted.
- 9.2.8 Once the invoices are generated, attach the supporting documentation to each invoice.
- 9.2.9 Once the Journal Summary is available, provide the summary, invoices and supporting documentation to the supervisor for review. The supervisor will compare the Journal Summary totals against the total invoices on hand to make sure the process is complete.
- 9.2.10 Scan the invoices with supporting documentation and save as a .PDF file where it is easily accessible to others.
- 9.2.11 Mail invoices to customers.

## 9.3 Recurring Invoices

- 9.3.1 Recurring invoices are generated on a regular basis as per their contract agreements.
- 9.3.2 A recurring invoice must have a current contract or agreement.

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9.3.3 Recurring invoices follow the same policy and procedures for an invoice.

## **10.0 CASH DEPOSITS**

- 10.1 For departments receiving cash, a cash receipt record must be maintained.
- 10.2 The assigned staff receiving the cash will be responsible for maintaining a “Cash Receipts” book, which will be used to issue receipts to customers.
- 10.3 Departments must have a safe deposit box to ensure all money received is safeguarded and deposited promptly.
- 10.4 Prepare bank deposit so that all money receipted reconciles to the bank deposit slip. Supervisor should account for all receipts issued out and reconcile to the cash receipts on hand. Place money in bank bag and make sure a deposit slip is received from the bank.
- 10.5 Post deposit to the proper revenue accounts. Confirm that the deposit slip amount is reflected on the general ledger account. File all bank receipts in order.
- 10.6 Overages and shortages found in the daily bank deposit should be addressed immediately and documented accurately for traceability.
- 10.7 Cash deposits should be made daily unless the money on hand is \$50 or less. However, all cash should be deposited by Friday regardless of amount.

## **11.0 COLLECTION POLICY FOR ACCOUNTS LESS THAN 120 DAYS PAST DUE**

- 11.1 Purpose: The purpose of this policy and procedures is to outline the necessary steps to ensure collection of Accounts Receivable is performed in a timely, fair and cost effective manner for the City. A key assumption is that the longer an account goes unpaid, the more difficult it becomes to collect. Therefore, these policies and procedures are outlined in order to ensure the timely collection of Accounts Receivable.
- 11.2 Financial Services Department Responsibilities: The Overall Collection Policy governs the policy and procedures that staff in the Financial Services Department will follow. The Fiscal Operations Staff is the Division that oversees the City’s Accounts Receivable. Fiscal Operations should effectively manage Accounts Receivable and be consistent in the collection processes. In order to do so, Fiscal Operations may contract with an outside agency to assist in Default Management as defined by the City.
- 11.3 Departmental Responsibilities: Each Business Unit should have a written policy and procedures for Collections. The roles and responsibilities of Collections for each department should be clearly defined; however, if a department does not have a Collections Policy and Procedures, then the policies in this manual will govern the department’s policies. All departments are responsible for collecting on amounts invoiced and identifying staff assigned with these duties

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## 11.4 Collection Responsibilities

### 11.4.1 Procedures

- a. The City provides customers thirty (30) days in which to pay an invoice.
- b. An Aging Report is provided at the beginning of each month to all user departments.
- c. The department's accounts receivable staff is responsible for reviewing the list for accounts that are past due.
- d. If an invoice has not been paid within 30 days, then a Final Reminder Notice is mailed to the customer.
- e. Additional procedures under [Sections 11.4.2 – 11.4.5](#) may be followed as necessary.
- f. Document all contacts with the customer in the customer's file

### 11.4.2 Phone Calls and Payment Arrangements

- a. Phone calls can be made in an attempt to collect; however, employees must make certain the customer is not being harassed in any way.
- b. If a customer agrees to pay the debt over a period of time, a Promissory Note will be prepared and must be signed by the debtor (customer).
- c. Under no circumstances, will staff engage in outside collection efforts by way of personal visits to the customer's location.

### 11.4.3 Invoice Credit

- a. If it is determined that a credit should be applied against an invoice, the credit request must be supported by proper documentation and authorized by the appropriate supervisor.
- b. For additional information, refer to [Sections 14.0, 21.0 and 22.0](#).

### 11.4.4 Apply Notice to Invoice

- a. Per Ordinance 014700, the City may add a one-time collection fee of twenty-one percent to any qualified gross account receivable balance.
- b. When preparing a new invoice for a customer with an outstanding balance, apply the Ordinance Notice label to the new invoice to remind the customer of their past due obligation.
- c. For additional information, refer to [Section 23.0](#).

- 11.4.5 If after sixty-one (61) days the invoice is outstanding and there has been no response from the customer and/or no payment arrangements have been made, then the Default Management process will commence.

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## 11.5 Default Management

### 11.5.1 Sixty-One (61) Days Past Due

- a. Once an account is more than sixty-one (61) days past due, the account is turned over to a Collection Agency for management.
- b. A series of letters is sent to the customer in an attempt to collect the Past Due Account.
- c. No phone calls will be made to the Customer. Instead the series of collection letters with strong verbiage is mailed to inform the debtor that the invoice is past due and of possible consequences.
- d. These consequences include but are not limited to submitting a negative report of the delinquent account to a national credit bureau, thus affecting the customer's credit worthiness.
- e. The Collection Agency will have a period of fifty (50) days to attempt to collect on the account.

### 11.5.2 Reporting Past Due Accounts

- a. Only Qualified Gross Receivable Accounts will be reported to the Collection Agency.
- b. Once the City agrees that debt collection proceedings are to commence, the City will contact the Collection Agency and forward the file with relevant information
- c. All accounts turned over to the Collection Agency must have valid and accurate supporting documentation.
- d. The Collection Agency will mail a series of five (5) letters to the Customer in an attempt to collect on past due accounts.
- e. The Collection Agency is considered a third party collector.
- f. The Collection Agency will follow state and federal laws in their efforts to collect a debt.
- g. The Collection Agency will charge the City a fee based on a signed agreement.
- h. All payments on past due accounts are submitted directly to the City.
- i. It is the obligation of the City to notify the Collection Agency when payments are received and to suspend collection efforts for the paid account.

### 11.5.3 One Hundred Twenty (120) Days Past Due

- a. For those accounts that remain uncollected after one hundred twenty (120) days, the Collection Agency will refer these accounts back to the City.
- b. The City will report the uncollected accounts to a national credit bureau.
- c. No further action will be taken on these accounts until it is determined at a later date that additional steps can be taken to collect on the account.

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- d. The customer's obligation to pay the debt to the City remains indefinitely until the debt has been collected. For additional information, refer to [Section 20.0](#).

## 11.6 Credit Bureau Reporting

### 11.6.1 Reporting

- a. After the one hundred twenty (120) day period, the City will report these accounts through electronic means to a nationally recognized credit bureau.
- b. The City will use the Metro 2 program to transmit consumer files to the credit bureau.
- c. If an account is later collected, then the file will be adjusted and reported accordingly.

### 11.6.2 Indebtedness Ordinance

- a. Ordinance 016529 was approved by Council which outlines various parameters under which the City may choose to not enter into a contract with a customer who is indebted to the City for more than \$100.
- b. For additional information, refer to [Section 23.0](#).

Chart I. Outline of Default Management Procedures

Age of Accounts	Action
31-60 days past due	Mail Final Reminder Notice. Make phone contact as appropriate. Attempt to receive a promise to pay; document any agreements made. Apply Ordinance notice to new invoices seeking payment. Send monthly aging report to all City departments.
61-120 days past due	Refer account to collection agency for management. Report customer payments to collection agency.
Over 120 days past due	Uncollected accounts with the collection agency will confirm a status of "Completed Service". Mail customer a Letter of Intent. Report negative data to the credit bureau about the customer account. Monitor accounts for potential indebtedness to the City.

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## 11.7 Gross Receivables

- 11.7.1 The following is a list of revenues billing type codes that the Financial Services Department is responsible for billing. Most of these accounts meet the criteria for submission to the collection agency and the credit bureau.
- 11.7.2 The Senior Accounting/Payroll Specialist will process the following invoices on a weekly basis. Each billing type has its own requirements and may have their own set of procedures. A close review of the status of each account will be made before sending. This information can be found in the internal procedures of the Accounts Receivable section.

Chart II. Bill Type

Bill Type	Description	Department
CNV	Old accounts to new system	Various Depts.
CCL	Legal notices – Zoning Charges	City Clerk
DEM	Demolitions	Environmental Svc.
DEV	Development Services Overtime	Development Svc.
ECO	Interlocal Agreement with the County of El Paso effective 4/8/08 for ½ of the salary for the Economic Development Incentives Coordinator	Economic Development
EQM	Equipment Maintenance and Fuel Charges	General Services
ENG	Engineering Overtime Paving Inspections	Engineering
FRD	Hazardous Material Incident Fire Certification Programs Personnel Overtime	Fire
GEN	Reimbursements from 911 for work orders	General Services
HTH	Laboratory water tests and other Lab works	Health
LGL	Board & Secure Condemnations	Environmental Svc.
MIS	Miscellaneous Invoices	Various Depts.
POL	False Alarms Parade Escorts Police Overtime Contracts	Police
PRO	TX DOT Projects EPWU	Engineering
PRK	Parks Utility Reimbursement for Recreation Centers	General Services
PWK	Professional Baseball Park - Electric Bill	General Services
REC	Recurring Invoices – Usually Leases	Various Depts.
STR	Property Damages	Streets
ZOO	Event Sales	Zoo

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## 11.8 Measurement of Collection Performance

### 11.8.1 Fiscal Operations monitors collections performance as follows:

- a. On a monthly basis, an aging report will be prepared for the following time periods: 0-30 days, 31-60 days, 61-90 days, 91-120 day, and Over 120 days.
- b. The Aging Report will be run by each type of receivable as follows: Business Units, Customer, and Bill Type.

### 11.8.2 Fiscal Operations will review collection goals on a regular basis to ensure that goals are being met.

## 11.9 Legislation that Allows the City to Collect on a Debt: The City is able to recover delinquent debt under both the municipal Code and the Budget Resolution as follows:

Texas Municipal Code, Title 3, Collection Fee: “3.44.010 Amount of Fee: The City Comptroller or any collection agency retained by the City to collect delinquent accounts may add a one-time collection fee of twenty-one percent to any qualified gross account receivable balance.” To review Ordinance 014700, refer to [Section 23.0](#).

City of El Paso Fiscal Year 2009 Budget Resolution: Whereas, on June 30, 2008, the City Manager of the City of El Paso filed that the City shall charge the maximum allowable interest rate and impose the maximum allowable penalty pursuant to State or Federal laws, on any amounts past due to the City. Any amounts that are one hundred twenty (120) days past due will be reported to the Credit Bureau, in accordance with State and Federal law, and/or will be turned over to the City Attorney for collection or for proper disposition.

## 12.0 COLLECTION POLICY FOR ACCOUNTS OVER 120 DAYS PAST DUE

### 12.1 Purpose: The following procedures are for accounts that are over 120 days past due but were never processed through the Collection Policy in [Section 11.0](#) of this manual.

### 12.2 Financial Services Responsibilities: Reducing the risk of uncollectible accounts is a top priority for the City of El Paso. The Financial Services Department encourages all departments to take a hands-on approach in collection efforts. Departments that use Financial Services to invoice are required to help monitor their accounts to ensure that invoices are paid in full and in a timely manner.

### 12.3 Departmental Responsibilities: Accounts receivable management is an ongoing process that requires planning and constant attention. The accounts receivable

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staff for each Business Unit is responsible for collection efforts of delinquent accounts within their Business Unit. Therefore, it is essential that staff from each Business Unit review their monthly Aging Report for delinquent accounts. Each department is held accountable for all amounts invoiced, collected and uncollected, as this is reflected in the preparation of their budget.

## 12.4 Collection Responsibilities

12.4.1 The following steps should be followed when attempting to collect on delinquent accounts:

- a. Document any contact with customer regarding past due invoices.
- b. Contact customers by phone, if appropriate.
- c. When preparing a new invoice for a customer with an outstanding balance, apply the Ordinance 014700 Notice label to the new invoice to remind the customer of their past due obligation.
- d. If possible, request that the customer sign a promissory note.

### 12.4.2 Dunning Letter

- a. Identify customers whose accounts are over 120 days past due, but have not made arrangement to pay outstanding invoices.
- b. Generate a Dunning Letter specifying the past due invoice(s), past due amount(s), original due date(s), number of days late, total balance due, current terms, and notice payment due date.
- c. Assess and disclose the 21 Percent One-Time Collection Fee on the letter.

### 12.4.3 Credit Bureau Reporting

- a. Once an invoice is deemed uncollectible through the above processes, generate a Letter of Intent and mail to the customer.
- b. Report negative data to the credit bureau regarding the customer's account in accordance with State and Federal law.
- c. If applicable, the account is provided to the legal department for further collection attempts or other proper disposition.

12.4.4 In order to report the delinquent customer to the Credit Bureau, the account must be supported by a source document.

12.4.5 Department standards should be established when classifying delinquent account as:

- a. Bankruptcy Cases
- b. Deceased
- c. Cessation of Business
- d. Unable to Locate
- e. No Supporting Source Document Found

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- 12.5 The Texas statute of limitation to collect on a debt does not apply to incorporated cities or towns; therefore, a customer's obligation to pay the debt to the City remains on the Aging Report indefinitely until the debt is paid in full. For additional information, refer to [Section 20.0](#).
- 12.6 Employees are strictly prohibited from destroying supporting documentation for mature accounts.
- 12.7 Employees are not allowed to forgive or negotiate a settlement amount for any mature account. For additional information, refer to [Section 21.0](#).

### **13.0 CREATING CUSTOMERS**

- 13.1 To invoice customers for services/sales provided, a Customer ID must be created.
- 13.2 Prior to creating the customer account, verify that the customer does not have an existing "Customer ID" in the system.
- 13.3 If necessary, data entry of the new customer is reviewed by another staff member to ensure the name, address, and other information is set-up correctly.
- 13.4 The Customer's ID number may be their federal tax identification number or other unique identifier agreed upon by the department.
- 13.5 When new customer information is received such as an address, telephone or point of contact, update the customer account by adding a new address; DO NOT create a new customer account.
- 13.6 Also, DO NOT delete an old address; instead, inactivate the old address. This allows us to see their address history.

### **14.0 CREDIT INVOICES**

- 14.1 If it is determined that a credit should be applied against an invoice, the credit request is prepared by the accounts receivable staff.
- 14.2 All credit requests must be supported by proper documentation and authorized by the appropriate supervisor.
- 14.3 Once approved the customer's account is credited and a copy of the credit invoice is scanned and filed in the customer's file.
- 14.4 Credits are only permitted for the following limited reasons:
  - 14.4.1 Duplicate invoice
  - 14.4.2 Department waived fees
  - 14.4.3 Payment received applied directly to the general ledger and not applied against the invoice
  - 14.4.4 Invoice entered with incorrect data

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- 14.5 The “Credit Invoices Register” should be process and reviewed monthly.
  - 14.5.1 The register should match the supporting documents for credit invoices approved by the Supervisor during the month.
  - 14.5.2 Investigate any unauthorized credits applied.

## **15.0 INVOICE REGISTER**

The invoice register reports all invoices for the current month and is compared to the previous month’s invoices and to those of last year’s amounts. The amounts are reviewed and compared to the general ledger accounts for accuracy.

## **16.0 MONTH END CLOSING / YEAR END CLOSING**

- 16.1 Maintain checklist to make sure all processes and procedures have been followed for month end closing.
- 16.2 General ledger activity is to be compared to the Accounts Receivable deposit form to verify that only the corresponding payments were posted to the account number and any incorrect postings are to be reviewed and removed to the correct account number with the supervisor’s approval.
- 16.3 Run the end of the month queries in order to ensure all invoices have posted properly and have been journal generated; payments have been applied, customer’s accounts are correct, and identify differences between the query and the aging report.
- 16.4 Run query to ensure all bank deposits have posted to the general ledger accounts.
- 16.5 Run and print Recurring invoices.
- 16.6 Run, print, and mail out Final Reminder Notices and/or Dunning Letters.
- 16.7 Ensure deposits are posted to the correct fiscal period.

## **17.0 RECONCILIATION**

- 17.1 The accounts receivable staff is responsible for ensuring that customer data is up to date and correct. A complete and accurate reconciliation of each Accounts Receivable account for all of the corresponding funds in the balance sheet is performed monthly to provide each business unit the necessary information that will avoid misstatements and errors.
- 17.2 Reconciliation is essential in maintaining good internal controls.
- 17.3 Reconciliation provides critical documentation for a complete and verifiable audit trail. It also provides proof of adherence to the City’s policies pertaining to customer Accounts Receivable accounts.

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17.4 Detail Procedures include:

- 17.4.1 Run the Trial Balance Sheet as of the last day of the month for the 125000 Accounts Receivable accounts.
- 17.4.2 Run the Aging Report one day after the closing of the month for each Business Unit.
- 17.4.3 Run monthly query (E1\_AR\_RECON) for each fund on The Trial Balance report.
- 17.4.4 Run a detailed General Ledger report for each fund on the Trial Balance report.
- 17.4.5 Reconcile each Business Unit's GL, Query, and Aging report to find discrepancies.
- 17.4.6 Research questionable items.
- 17.4.7 Work with outside field departments related to that Business Unit showing discrepancies.
- 17.4.8 Prepare formal reconciliation and save in the appropriate file.
- 17.4.9 Reconciliation must be completed five (5) days after month end closing.

## 18.0 RETURNED CHECKS

All NSF returned checks are distributed to the Treasury Service Section of the Financial Services Department. For further information please see the Treasury Service Section manual.

## 19.0 SECURITY AND CONTROLS

Departments must establish proper internal controls over receipts and the recording of money. Adequate separation of duties must exist. The following provides guidelines to separate duties.

- 19.1 The following functions must be segregated: establish and maintain the accounts receivable, open mail and receive cash or check, prepare bank deposits, and enter receipts into the system.
- 19.2 Maintain a central check log of all incoming daily checks with sufficient information to track timing of deposit and for future information that may be needed. All logged checks should be summarized on a monthly basis to ensure that all checks were deposited timely and appropriately and to provide a clear audit trail for future questions on payment history and audits as requested.
- 19.3 All checks must be endorsed properly and must be safeguarded until deposited. Banking deposit slips must be verified against the daily deposit total to ensure completeness of deposit.
- 19.4 The department will establish a "Cut-Off Time" for the daily deposit. Monies received after the cut –off time will be deposited the next business day.

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- 19.5 Independent parties are to reconcile the bank deposits to the general ledger activity, customer's account, and receipts. A trial balance should be taken at the end of each monthly period and reconciled with the related sub accounts. Differences should be investigated and adjusted accordingly. Report any discrepancies to the appropriate staff.
- 19.6 Only a Supervisor has the authority to approve credit transaction for Accounts Receivable.
- 19.7 Cash/checks received must be processed within twenty-four (24) hours of receipt. Any checks received and not deposited need a justification as to why checks were not deposited within twenty-four (24) hours.
- 19.8 All monies received must have a complete and clear audit trail for internal and external auditors to be able to trace any transaction from its inception to the final outcome and from the accounting records back to the original transaction.
- 19.9 Departments must undertake periodic reviews and audits of their recordings of the monies received to ensure processes are done accurately.
- 19.10 Currently the Financial Services Department processes the daily deposit electronically by using the Wells Fargo Commercial Electronic Office portal.
  - 19.10.1 Checks are logged into the appropriate spreadsheet.
  - 19.10.2 Each individual check is identified as either an invoiced payment or a non-invoiced payment.
    - a. For Invoiced payments see PeopleSoft instructions, *Procedure: Applying Payments*.
    - b. For Non-invoiced payments use the Direct Journal Entry. See PeopleSoft instructions, *Procedure: Creating Accounting Entries* for more information
  - 19.10.3 The documentation for the deposit is scanned and saved in the proper drive for easy accessibility.
  - 19.10.4 Daily checks are deposited using the Wells Fargo desktop scanning machine located at Financial Services. An image of each check is captured and electronically processed.
  - 19.10.5 The deposit is reviewed by the AR Supervisor to assure payments received were applied to the correct accounts.

## 20.0 STATUTE OF LIMITATIONS ON DELINQUENT ACCOUNT

- 20.1 The Texas statute of limitations to collect on a debt does not apply to incorporated cities or towns per Chapter 16 of the Texas Civil Practice and Remedies Code.
- 20.2 Texas Civil Practice and Remedies Code—Section 16.061: RIGHTS NOT BARRED. (a) A right of action of this state or a political subdivision of the state, including a county, an incorporated city or town, a navigation district, a municipal utility district, a port authority, an entity acting under Chapter 54, Transportation Code, a school district, or an entity created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, is not barred by any of the following sections: 16.001-16.004, 16.006, 16.007, 16.021-16.028, 16.030-16.032, 16.035-

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16.037, 16.051, 16.062, 16.063, 16.065-16.067, 16.070, 16.071, 31.006, or 71.021.

## **21.0 WRITE-OFF PROCEDURES**

If an account is no longer collectible because a customer has filed for bankruptcy, has died or because the account lacks supporting documentation, then the account must be submitted to Financial Services Department on the Write-Off Request Form for approval before writing-off the account. Compliance with the City's write-off policy must be adequately documented and readily available for audit.

21.1 For a customer who has filed for bankruptcy, obtain from the customer the bankruptcy case number, type of bankruptcy filed (Chapter 7, 11 or 13), and date of file. Attach a copy of the bankruptcy notice, if available, a copy of the invoice and any supporting documentation to the Form. Submit the form to Fiscal Operations for review. After review, the documents will be provided to the Legal Department who will determine whether or not to file a proof of claim with the Bankruptcy Court.

21.1.1 If a claim is filed with the bankruptcy court, then the account WILL NOT be written-off.

21.1.2 If Legal determines that the City will not file a proof of claim, then the account may be written-off.

21.2 For a customer who is has died, obtain a copy of the death certificate from the person who provided notification of death. Attach a copy of the death certification and the invoice to the Form and submit to Fiscal Operation for review. For accounts that are more than \$5,000, the documents will be provided to the Legal Department who will determine whether or not to file a proof of claim with the Probate Court.

21.2.1 If a claim is filed with the Probate Court, then the account WILL NOT be written-off.

21.2.2 If Legal determines that the City will not file a proof of claim, then the account may be written-off.

21.3 For an account that lacks supporting documentation, attach a copy of the invoice to the Form and submit to Fiscal Operations approval. Your request will be reviewed on a case by case basis and approval will be issued by the Fiscal Operations Manager.

## **22.0 UNPAID BALANCES OF \$1.00 AND UNDER**

All departments are allowed to write-off an account with a balance of \$1.00 or less when the customer failed to pay the account in full. Please note that invoices made out for \$1.00 do not apply, only unpaid balances of \$1.00 or less. The customers' account is closed by crediting the Accounts Receivable

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## 23.0 APPENDIX

### 23.1 Ordinance 14700 – Collection Fee

014700

**AN ORDINANCE AMENDING TITLE 3 (REVENUE AND FINANCE) BY CREATING SUBCHAPTER 3.44 (COLLECTION FEES) TO ESTABLISH A FEE FOR THE COLLECTION OF DELINQUENT ACCOUNTS RECEIVABLE, THE PENALTY BEING AS PROVIDED IN SECTION 1.08 OF THE EL PASO CITY CODE.**

**WHEREAS**, the City has a number of accounts receivable which have become past due;  
and

**WHEREAS**, the City has retained the services of a collection agency to assist the City in collection of certain delinquent accounts, and

**WHEREAS**, the Comptroller recommends that a collection fee be paid by the debtor;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

1. That Title 3 (Revenue and Finance) of the El Paso City Code is hereby amended by adding Subchapter 3.44 (Collection Fees) to read as follows:

**3.44 COLLECTION FEE**

**3.44.010 Amount of Fee.** The City Comptroller or any collection agency retained by the City to collect delinquent accounts may add a one-time collection fee of 21% to any qualified gross account receivable balance.

**3.44.020 Qualified Accounts.** All accounts receivable which have been owed to the City for more than 60 days shall be qualified accounts for the purpose of this section excluding: a) accounts owed to the City pursuant to leases, contracts or other agreements entered by the City which specifically enumerate different collection fees, and b) accounts owed to the City which are not subject to a collection fee because of federal, state or local laws.

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23.2 Ordinance 016529 – Indebtedness to the City

ORDINANCE NO. 016529

**AN ORDINANCE TO ESTABLISH REGULATIONS WHEREBY THE CITY OF EL PASO MAY REFUSE TO ENTER INTO AN AGREEMENT WITH A PERSON INDEBTED TO THE CITY OF EL PASO**

**WHEREAS**, pursuant to Section 252.0436(a) of the Texas Local Government Code (the “Code”), a municipality by ordinance may establish regulations permitting the municipality to refuse to enter into a contract or other transaction with a person indebted to the municipality;

**WHEREAS**, pursuant to Section 252.0436(b) of the Code, the regulations adopted under Section 252.0436(a) of the Code may provide for the municipality to refuse to award a contract or enter into a transaction with an apparent low bidder or successful proposer that is indebted to the municipality;

**WHEREAS**, the City of El Paso (the “City”) desires to establish regulations, pursuant to Section 252.0436(a) of the Code, whereby the City may refuse to enter into a contract or other transaction with a person indebted to the City including but not limited to an apparent low bidder or successful proposer.

**NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

1. For purposes of this Ordinance, the following definitions shall apply:  
**Contracting Entity** shall mean an individual, a sole proprietorship, corporation, nonprofit corporation, partnership, joint venture, limited liability company, and any other entity that proposes or otherwise seeks to enter into a contract or other transaction with the City that requires approval by the City Council.

**Debt** shall mean any sum of money, which is owed to the City by a Contracting Entity, or Owner, that exceeds one hundred dollars (\$100.00) and that has become Delinquent (defined hereinafter). Such Debt shall include but not be limited to: (i) property taxes; (ii) hotel/motel occupancy taxes; and (iii) license and permit fees.

**Debtor** shall mean a Contracting Entity or Owner (defined hereinafter) owing a Debt to the City. Debtor shall include relationships within the second degree by consanguinity or within the first degree by affinity.

**Delinquent** shall mean any unpaid Debt that is past due for sixty (60) days or more and, which is not currently subject to challenge, protest, or appeal.

**Indebted or Indebtedness** shall mean owing a Debt to the City without regard to ability or inability to pay the same, where the amount is Delinquent.

**Indebtedness Notice** shall have the meaning set forth in section 2(d) herein.

ORDINANCE NO. 016529 1  
Document Name: FIN/1/INDEBTEDNESS ORD  
Document #: 24229v9 (Final)  
Author\_Id: JVIL

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### 23.3 Write-Off Request Form

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